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UNCLAS SECTION 01 OF 02 ABIDJAN 001134

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PLEASE PASS TO USITC (LSCHLITT, BGEHRKE)

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TAGS: ETRD IV

SUBJECT: COTE D'IVOIRE: USITC STUDY ON SUB-SAHARAN AFRICA

REF: A. A. ABIDJAN 1069 B. SECSTATE 146622

1B. ABIDJAN 1114

11. Per reftel B instructions, post has compiled information on the below industries. Please refer to Ref C for information on the Stock Market Exchange with regard to the request for information on financial services. Included in this cable is information on the banking sector.

12. Banking: Cote d'Ivoire's banking system developed during the colonial period as an extension of the French financial and banking systems. In its capacity as a central bank and monetary authority, the Central Bank of West African States (BCEAO) oversees and regulates banks and financial establishments conducting activities in the eight member States of the West African Economic and Monetary Union (WAEMU). WAEMU supervises banks and non-bank financial establishments through inspections and off-site analysis to ensure compliance with regulations. Monetary policy is conducted regionally by the BCEAO. It has the sole right of currency issue and its primary objectives are to maintain parity between the CFA franc and the euro and to control inflation in the zone. The BCEAO is pledged to guarantee price stability and pegs region's common currency to the euro through a special arrangement with the French Treasury in which France provides balance of payments support in times of temporary deficits while the BCEAO is required to deposit at least 65% of its foreign assets in its operations account in the French Treasury and limit its loans to member states' state treasuries to 20% of their respective tax revenues.

-- Cote d'Ivoire has the largest bank network in the region. Banking activity is centered around the largest six banks, which account for more than 75% of total assets: Societe Generale des Banques en Cote d'Ivoire (SGBCI), an affiliate of the French group, Societe Generale; Banque Nationale de l'Investissement; Banque Internationale pour le Commerce et l'Industrie (BICICI), owned by Banque Nationale de Paris (BNP); Banque Internationale Pour l'Afrique Occidentale (BIAO), which is a subsidiary of Belgian Belgolaise; Ecobank; and Societe Ivoirienne de Banque (SIB), owned by the French group Credit Lyonnais. Ivorian credit institutions account for 31.3 per cent of all WAEMU bank balances, a share somewhat lower than that of the Ivorian GDP in the regional economy (37 percent).

-- Prior to the outbreak of the 2002 political crisis, the development prospects for the microfinance sector were significant. For example in 2000, the country counted 16 microfinance institutions, offering a total of 287 points of service (for about 331 000 customers), compared with 154 bank branches.

-- The political crisis has disrupted banking operations, causing the reduction of about 10 percent of overall activity. The crisis has hurt the banking sector through

business closures, sale and job losses, all of which resulted in client insolvency and an increase in non-performing loans.

Due to these increased risks, banks concentrate resources on the financing of short-term loans and business operations and are reluctant to finance long-term loans and investments.

-- The Bourse des Valeurs Mobilières Regionales (BVRM), located in Abidjan, offers firms throughout the WAE MU region access to capital outside of traditional bank financing.. It suffered from the 2002 crisis due to the prevalence of Ivorian companies on its books, but has begun to expand listings and capitalization as well as see its index rise in recent years.

-- According to sources within the industry, the large banks and new players such as the Bank of Africa, are expanding, making access to banking services more readily available to the public. However, the low rate of access to the banking sector in the country remains a major problem. The banking system includes 17 credit institutions (against 22 in 2003), 16 of which are banks (ten in 2003) and 2 financial institutions (five in 2003).

¶3. Cashews: Cashew production in Cote d'Ivoire has risen in recent years due in large measure to the investments and management of OLAM, a Singapore-based commodities firm which is the largest trader of cashews in the world and the largest processor of cashews in Africa. OLAM is working closely with USAID and Kraft, the largest marketer of processed cashews in the world. Cote d'Ivoire produced 135,000 metric tons in 2005, up from 115,925 metric tons in 2004, and from 2003 to 2005, cashew production has increased by 37%. The cashew industry has a lot of potential for growth, but occupies a very small piece of the overall commodities pie in Cote d'Ivoire given the less than one percent GDP it occupies.

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¶4. Coconuts, prepared and preserved fish, wood veneer panels: Despite sending inquiries to government and industry officials, post received no information regarding these industries outside what is publicly available on the Internet. Food and Agricultural Organization (FAO) statistics for the coconut sector indicate that Cote d'Ivoire increased production from 2915 metric tons in 2003 to 11,613 metric tons in 2004, despite unit values falling from USD 743 per metric ton to USD 340. Cote d'Ivoire produced 323,000 cubic metres of wood-based panels in 2004, according to the FAO..
Valle